



For Immediate Release

June 21, 2007

**Opening Statement from Senator Judd Gregg
(partial/unofficial transcript)**

**Senate Budget Committee Hearing on
Health Care and the Budget: Issues and Challenges for Reform**

**Witness: Dr. Peter R. Orszag, Director
Congressional Budget Office**

Thank you Mr. Chairman.

Obviously the Chairman and I and many other members of the Senate agree on the problem, which is that we confront a demographic tsunami which is going to overwhelm our capacity as a country to support the present programs we have in place. And that if we don't do something substantive we will end up passing on to our children not only a government that's unaffordable but a lifestyle which would be significantly less in quality than the lifestyle that our generation has had because the burden which would be put on them would be so high that they won't be able to do things such as purchase homes and send their kids to college and have discretionary spending money – it will all be spent on the government to support these programs.

But I think where the Chairman and I depart is on whether or not the Congress has responded to this. We've had innumerable hearings on this issue, and they've all been good, and I congratulate the Chairman for holding this hearing. But the fact is the numbers are there, we know them, we've been presented with them and I know that the Director is going to give us another set of numbers and some ideas but they're not going to be significantly different than what we've already been presented before, which is that this is a problem that is huge, and that is coming at us, and that can not be avoided, as were reflected in the Chairman's numbers.

I think to refer to the last budget as having taken a bite out of this apple is really an exaggeration which can't be defended by the facts. The simple fact is that we have not, as a Congress, stepped up to this issue. The President ironically put forward a proposal – a very legitimate proposal – which would have used reconciliation to address the issue of health care, and the out-year cost of health care. The unfunded liability of Medicare is

approximately \$32 trillion, under the President's proposal that unfunded liability would have been reduced somewhere between 25% and 30%. And his proposal would not have affected present beneficiaries or future beneficiaries of middle and moderate income, or low income for that matter. It would have affected the 5% of beneficiaries who have very high incomes, but nobody else in the beneficiary category.

It had two basic elements. First, that reimbursements to providers should be accurately paid, and should not be inflated, and they are by all estimates, and especially by the independent analysis, inflated by the extent of about 1.2%, which is benefit accruing from more technological capability and efficiencies within the system. And what the President says is let the providers groups keep half of that inflated payment, but have the other half be returned to basically make the system more solvent.

The second proposal was to have high-income people pay a portion of the cost of their premiums, so that a retired member of the Senate, or Warren Buffett's Part D premium for Medicare's drug benefit is not subsidized by working Americans who are working at a garage or on an industrial line or at a restaurant. Today average working Americans trying to make ends meet, trying to raise a families, trying to send their kids to college, trying to make their payments, are also paying the cost of Warren Buffett's Part D drug benefit. And they're paying the costs of retired members of the Senate's Part D drug benefit, which is totally inexcusable. There is no reason those premiums should not be means-tested, wealth-tested.

And the proposal the President suggested was reasonable. He said if people make more than \$80,000 as an individual, or more than \$160,000 as joint taxpayers, then they should pay a portion of their drug benefit costs. Both of those ideas were rejected -- rejected out of hand by the Democratic budget. But worse than that, because those were reasonable ideas that didn't have any partisan policy to them, in fact I would think that coming from the other side of the aisle there would be some receptiveness to taxing -- not taxing, but making people who have high incomes pay the fair cost of their Part D premium. Worse than the fact that they were rejected was there was no alternative put forward. The President suggested a proposal to take \$8 trillion of a potential unfunded liability out of the system. The response from the other side of the aisle was to reject that, to reject having high income people pay part of their Part D premiums, to have an accurate reimbursement for provider groups, but no substitute, nothing was brought forward to substitute for that.

In fact, not only was nothing brought forward to address it but the situation was dramatically aggravated by the use of reconciliation as a vehicle to dramatically expand the government. And we just saw that occur yesterday in the HELP Committee where the reconciliation instructions were used for the purposes of increasing spending 2,500% more than savings were put in place for deficit reduction. A billion in savings, \$20 billion of new spending, and reconciliation was used as the vehicle to accomplish that.

So instead of having reconciliation which is supposed to be a vehicle that controls the rate of growth of entitlements of this government, it was used as a vehicle to expand

entitlements, and there was no attempt in the Democratic budget, in fact it was rejected on the floor, to address the funding and the correction of Medicare.

In addition we know that the issue of how you correct Medicare is an issue of utilization, transparency, and access to quality, reasonable-cost health care. We know from studies that have been done at Dartmouth, that if you look at the cost and utilization and quality of health care across this country, you will find that in many states, especially, for example I'll take Florida, utilization is high, cost is high, and outcome is not that good for Medicare recipients. If you look at a state like say, Washington State, or probably Oregon, I don't know that to be the case, but I would expect Oregon has the same situation, utilization is low, cost is low, and outcomes are higher, are better. And so what we need to do. And I know Dr. Orszag is going to tell us again what the problem is, I'm not sure he's going to tell us what we need to do, we know what we need to do. The problem is we do not have, as a Congress, have the courage to do it. Its that simple.

So I appreciate the hearing, I appreciate more information being brought to the table, but I do think there is a legitimate disconnect to represent that the last budget, in any way, significantly moved us down the road towards solving the first set of charts, which were reflecting the problem.

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